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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

In the Matter of the Application of
Shepard Water Company for Financing
Approval

Docket No. W-01537A-99-0100
W-01537A-99-0296

NOTICE OF FILING

WIFA LOAN DOCUMENTS

**ARSENIC REMEDIATION
EQUIPMENT INSTALLATION**

Attached hereto are documents of the WIFA loan, Project No. 008-2010 in the
amount \$112,100 for installation of arsenic remediation equipment.

DATED: April 5, 2012.

Wade Noble
Attorney for Applicant

Arizona Corporation Commission
DOCKETED

APR - 6 2012

DOCKETED BY	
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ARIZONA CORPORATION COMMISSION



FINANCING APPLICATION

SHEPARD WATER COMPANY

UTILITY NAME

DOCKET NO(S).

You must complete all items in the application according to the instructions provided. If you have any questions regarding the application, call the Chief, Financial & Regulatory Analysis Section at (602) 542-0743 for assistance.

Send the original and sixteen copies of the application and cover sheet to the following address:

DOCKET CONTROL CENTER
1200 W WASHINGTON STREET
PHOENIX AZ 85007-2927

Arizona Corporation Commission
Docket Control Center

Company/Case Name Shepard Water Company

Doing Business As (d/b/a) Shepard Water Company

Docket Number (s)

Description of Document or Nature of Action
Please choose the item that best describes the nature of the case/filing.

UTILITIES - NEW APPLICATION

- | | |
|--------------------------|-------------------------------------|
| <input type="checkbox"/> | New CC&N |
| <input type="checkbox"/> | Rates |
| <input type="checkbox"/> | Interim Rates |
| <input type="checkbox"/> | Cancellation of CC&N |
| <input type="checkbox"/> | Deletion of CC&N |
| <input type="checkbox"/> | Extension of CC&N |
| <input type="checkbox"/> | Tariff (NEW) |
| <input type="checkbox"/> | Request for Arbitration |
| <input type="checkbox"/> | Full or Partially Arbitrated |
| <input type="checkbox"/> | Interconnection Agreement |
| <input type="checkbox"/> | Voluntary Interconnection Agreement |
| <input type="checkbox"/> | Miscellaneous - Specify: _____ |

- | | |
|---|--|
| | Main Extension |
| | Contract/Agreements |
| | Formal Complaint |
| | Waiver/Rule Variance |
| | Line Siting Committee Case |
| | Small Water Company – Surcharge |
| | Sale of Assets & Transfer of Ownership |
| | Sale of Assets & Cancellation of CC&N |
| | Fuel Adjuster/PGA |
| | Merger |
| x | Financing |

UTILITIES - REVISIONS/AMENDMENTS TO PENDING OR APPROVED MATTERS

 Application:

 Tariff: (Promotional or Compliance)
 (Circle One)

Company _____
Docket Number _____

Decision No. [REDACTED]
Docket No: [REDACTED]

SECURITIES or MISCELLANEOUS FILINGS

- | | |
|--------------------------|--|
| <input type="checkbox"/> | Affidavit (Publication, Public Notice) |
| <input type="checkbox"/> | Comments |
| <input type="checkbox"/> | Exception |
| <input type="checkbox"/> | Exhibit(s) |
| <input type="checkbox"/> | Notice of Appearance/Intent |
| <input type="checkbox"/> | Notice of Errata |
| <input type="checkbox"/> | Opposition |
| <input type="checkbox"/> | Petition |

- | | |
|--|--------------------------------------|
| | Request/Motion for Extension of Time |
| | Request/Motion for a Hearing |
| | Request/Motion for an Intervention |
| | Miscellaneous Request/Motion |
| | Request/Motion for a Re-hearing |
| | Request/Motion to Continue Hearing |
| | Request/Motion to Strike |
| | Response |
| | Testimony |
| | Waiver |
| | Witness List |
| | Intervention |

OTHER:

Date _____

Revised 10/15/02

Wade Noble

Print the name of the person whose signature appears on the filing
(i.e. Contact Person, Respondent, Attorney, Applicant, etc.)

Application for Financing Approval

1. The applicant's exact name and the address of its principal business office.

Shepard Water Company Inc., an Arizona corporation
John Guth, President
10430 N. Martinez Lake Road
Martinez Lake, AZ 85365

2. Name and address of the person authorized, on behalf of applicant, to receive notices and communications regarding the application.

Wade Noble
Noble Law Offices
1405 W. 16th Street
Yuma, AZ 85364

3. A full description of the financings (debt or equity) proposed to be issued showing the kind, nature, and amount, the interest or dividend rate if any and its frequency, date of maturity, call features, voting privileges, and other detailed information regarding the financing itself. An explanation of whether the assets of the company will be encumbered by the financing (e.g. bank loan that is secured by company assets). If the financing is debt then provide a schedule of interest and principle payments. If the financing is a line of credit then provide a schedule of expected drawdowns. Provide a description of the proposed method of issuing and selling the financing, including any special distribution rights to existing holders of the company's securities.

Financing of WIFA loan in the amount of \$112,100. A Water Utility Deed of Trust and Security Agreement will secure the loan. Interest and principal expenses have been estimated.

4. A statement showing the expected gross proceeds, issuance expenses, and net proceeds from the issuance and sale.

Shepard Water Company is a small utility located in southwestern Arizona with a groundwater well to supply potable water to customers in the Martinez Lake Resort. Water quality tests have shown that the water from the well has an arsenic content slightly above the new EPA Maximum Contaminant Limit. To remedy this a wellhead treatment system, SolmeteX ArsenX Treatment System, has to be installed.

SolmeteX ArsenX Treatment System ("X") is a nanotechnology-based adsorbent design specifically for arsenic removal applications. It combines the properties of ion exchange resin with the chemistry of hydrous iron media. As: X is a nanoparticle-based selective resin that has a high affinity for arsenic and can achieve high levels of arsenic removal in both the arsenate (As(V)) and arsenite (As(III)) forms. No pre-treatment is required since conversion of the As(III) to As(V) is not necessary for effective removal.

Budgetary Cost Estimate

	Cost
Arsenic Treatment System	71,400
Arsenic Treatment System Installation	17,140
Shade structure 1- 10ft x 15ft	7,800
Concrete slab for arsenic treatment	760
Contingency for unknowns	15,000
Total Cost	\$112,100

Costs were developed based on the following assumptions:

- System sized to meet an arsenic discharge of less than 8 ppb
- System treatment performance based on a pH of 7.3 or less
- System treatment performance based on silica content of 35 mg/L or less and little or not phosphates present in the water
- Average yearly production volume has been assumed to be 45% of the maximum yearly well production
- Pricing is based on an existing arsenic concentration of 12 ppb
- Pricing does not include taxes, bonds or permits fees

- Maximum operating pressure of adsorber vessels is 100 psi
- Media purchased directly from McPhee Environmental Supply
- Skid-Mounted footprint is 9 feet by 7 feet, tank height is 9 feet from slab to top of vessel
- The existing site has adequate space
- Chlorination equipment is not required

5. A complete description of the uses of the net proceeds, including descriptions of plant, property, or other assets to be acquired. Provide any capital expenditure budget that supports the proposed use of proceeds.

See Budget outlined in response to No. 4 above.

***6. A statement that demonstrates why the financing is,
(a) within the corporate powers of the applicant;***

Financing is within the corporate powers of the applicant as an Arizona corporation with statutory authority to borrow funds for business purposes.

(b) compatible with the public interest;

Financing is compatible with the public interest because treatment of the water in the system will bring the arsenic content below the EPA Maximum Contaminant Limit level.

(c) compatible with sound financial practices; and,

Financing is compatible with sound financial practices as a source for the funds to accomplish the tasks mandated for the system.

(d) compatible with the proper performance by the applicant of service as a public service corporation and will not impair its ability to perform that service.

Financing is compatible with the proper performance by the applicant of service as a public service corporation because applicant is required to maintain the required standards for drinking water.

7. The name and address of any person receiving, or entitled to, a fee for service in connection with the issuance or sale of the financing and a demonstration that such fees do not exceed customary fees for such service in an arms-length transaction and are reasonable.

None.

8. Provide a copy of any documents to be executed in the matter.

Loan documents will be submitted upon receipt.

9. Provide the most recent balance sheet and income statement showing booked amounts and pro forma adjustments to record and show the effect of the transaction. Provide any other statements (such as pro forma statements from prior periods) that would demonstrate that the security issuance and sale is consistent with sound financial practices.

The following financial reports for Shepard Water Company have been provided:

- a. Profit and Loss Statement June 2005 through May 2006
- b. Trial Balance as of May 31, 2006
- c. Balance Sheet September 30, 2005
- d. Annual Report 2004
- e. Annual Report 2005
- f. Corporate Returns 2004
- g. Balance Sheet 2004

Attached are the following:

- a. Pro Forma financial statements
- b. Corporate Resolution

10. The Commission requires the Company to notice customers of the financing application. Attached is a copy of the notice to be used. Fill in the notice's blanks and either insert a copy of the notice in customers' next bill or have it published at least once in a newspaper of general circulation in the area in which the company serves. Please send proof of noticing to the Commission. Proof consists of the dated bill insert, a copy of the notice as it appeared in the newspaper or the receipt from the newspaper showing the date the notice is to be published.

A copy of the notice which will be sent to the customers is attached hereto.

11. Submit an original and sixteen (16) copies of the application and supporting documents to the following:

**ARIZONA CORPORATION COMMISSION
ATTN DOCKET CONTROL CENTER
ROOM 130
1200 W WASHINGTON STREET
PHOENIX AZ 85007-2927**

Original and 16 copies and supporting documents attached.